ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

KeyCorp

Person to be contacted regarding this report:	Daniel R. Stolzer
CPP Funds Received:	$2,500,000,000
CPP Funds Repaid to Date:	$0
Date Funded (first funding):	11/14/2008
Date Repaid[1]:	

RSSD: (For Bank Holding Companies)	1068025
Holding Company Docket Number: (For Thrift Holding Companies)	N/A
FDIC Certificate Number: (For Depository Institutions)	N/A
City:	Cleveland
State:	Ohio

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

[X]	Increase lending or reduce lending less than otherwise would have occurred.	The CPP prevented a more severe industry-wide lending contraction from occurring and the $2.5 bil. CPP received by Key gave Key the opportunity to fortify its capital base and conduct additional responsible lending. In 2009, Key had $32 bil. of new or renewed loan commitments.

☒	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Of the $32 bil., $1.9 bil. were residential mortgages; $1.2 bil. home equity; $729 mil. other consumer; $19.4 bil. comm/industrial; $8.8 bil. comm mortgage; and $46.3 mil. small business. Overall loan volume declined from 2008 due to reduced demand and prior decisions to exit certain businesses.
☒	Increase securities purchased (ABS, MBS, etc.).	The $2.5 bil. of CPP helped Key build a high quality, liquid investment portfolio, consisting of U.S. agency-backed mortgage securities, to satisfy internal liquidity needs and the regulatory desire for enhanced contingent liquidity sources in the banking industry to avert further crises.
☒	Make other investments	None other than as described in other responses.
☒	Increase reserves for non-performing assets	Key increased its reserves for nonperforming and non-accrual assets for each quarter throughout the economic downturn – 3Q 2007 through 4Q 2009 – and would have done so with or without the CPP capital, in order to comply with regulatory requirements and accounting standards.

☒	Reduce borrowings	The $2.5 bil. of CPP allowed Key to reduce its reliance on wholesale borrowings by a substantial amount, because it occurred along with a significant reduction in overall loan demand, which has also had the effect of reducing Key's capital markets borrowing needs.
☒	Increase charge-offs	Key has taken significant charge-offs throughout the economic downturn and, as described above, although the CPP capital did not enable Key to take the charge-offs, it helped Key to remain a healthy, "well-capitalized" institution, notwithstanding the charge-offs.
☒	Purchase another financial institution or purchase assets from another financial institution	Key has not purchased another financial institution or assets from another financial institution during the time it has held the CPP investment from the U.S. Treasury Department – November 2008.
☒	Held as non-leveraged increase to total capital	Key holds CPP as non-leveraged capital. This was not management's original intent, but decreased loan demand meant there was less need to leverage the balance sheet. Also, the CPP is not permanent capital, so it is not viewed in the capital markets as capital that can be leveraged.

What actions were you able to avoid because of the capital infusion of CPP funds?

KeyCorp may have avoided further ratings downgrades and the attendant consequences – higher borrowing costs, possibly higher deposit costs and/or deposit run-off – as a result of the CPP.

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With respect to Key's decision to exit certain businesses, by way of background, it is important to know that, well before the current financial crisis began and the economy began to noticeably deteriorate, Key realized that credit quality was becoming an issue, particularly in instances where loans were extended outside of its community bank's 14-state branch footprint, through its national lending businesses. Management attributed this to several factors, including, notably, that these loans were not generally made as part of an overall banking relationship. As a result, Key adopted a strategy of exiting out-of-footprint businesses and focusing on relationship borrowing. Accordingly, commencing in 2004, Key stopped accepting brokered home equity loans; in 2005, Key stopped making indirect automobile loans through dealers; in 2006, Key sold its out-of-footprint home equity business; in 2007, Key stopped lending to out-of-footprint homebuilders and for home improvement; and finally, in 2008, Key stopped lending activities for marine and recreational vehicles, private student loans and all loans to the homebuilding industry. These actions preceded Key's participation in the CPP and were undertaken in the best interests of our shareholders and our relationship clients. We believe that the opportunity for redeployment of capital created by exiting these businesses better positioned Key to have a stimulative effect on lending and economic activity in other areas. Nevertheless, these actions, combined with reduced demand for credit, led to a reduction in Key's overall loan balances.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Key was an early participant in the CPP and was pleased to participate in the Treasury's efforts to avert a systemic failure of the U.S. banking system by fortifying large, healthy institutions. As a result of the CPP, Key was able to continue to lend at levels that it may not have otherwise been able to sustain, and it was able to build a liquid substantial portfolio of liquid investment securities.

In addition to building public confidence in the banking system among depositors, other customers and the public generally, the CPP quite likely provided the impetus for KeyCorp to undertake additional capital raising transactions in the public markets. Through these efforts, in 2009, Key generated approximately $2.4 billion of Tier 1 common equity, which is serving to support current lending efforts and is expected to support future enhanced lending as the demand for credit increases in the economic recovery.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

See the response to the previous question.